

Message Text

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ACTION EB-11

INFO OCT-01 EA-11 ISO-00 AGR-20 CIAE-00 COME-00 INR-10

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R 120148Z FEB 74

FM USLO PEKING

TO SECSTATE WASHDC 1355

INFO AMCONSUL HONG KONG

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E.O. 11652: N/A

TAGS: ETRD, EAGR, CH, US

SUBJ: PRC NEGOTIATIONS FOR US GRAIN AND COTTON

1. JOHN ANTONIUS, NEW YORK-BASED VICE PRESIDENT OF LOUIS DREYFUS CORPORATION, VISITED PEKING FROM JANUARY 28 TO FEBRUARY 9 FOR DISCUSSIONS WITH THE CEREALS, OILS AND FOODSTUFFS IMPORT AND EXPORT CORPORATION AND THE TEXTILES IMPORT AND EXPORT CORPORATION.

2. THE CEREALS CORPORATION, HE SAID, COMPLAINED TO HIM ABOUT THE QUALITY OF US GRAIN WHICH DREYFUS IS SHIPPING; IN PARTICULAR, ABOUT THE QUALITY OF US CORN WHICH THEY DESCRIBED AS MOLDY AND CAKED. THEY ASKED FOR LOWER-MOISTURE CORN, BUT ANTONIUS SAID HE COULD SUPPLY THAT ONLY AT A HIGHER PRICE (BECAUSE OF THE DRYING THAT WOULD BE NECESSARY). HE ALSO OFFERED TO SWITCH SOME OF THEIR EXISTING CORN ORDER TO WHEAT, BUT AGAIN AT A HIGHER PRICE. ANTONIUS SAID HE WAS NOT SURE WHETHER THE STRONG TERMS IN WHICH THE CHINESE COMPLAINT WAS COINED WAS SINCERE OR WHETHER IT WAS A BARGAINING POSITION. THE PROBLEM, HE SAID, APPARENTLY STEMS FROM THE FACT THAT THE CHINESE USE AT LEAST A PORTION OF THIS CORN FOR HUMAN CONSUMPTION AND NOT ALL OF IT AS FODDER. BEFORE LEAVING PEKING, ANTONIUS PHONED TO SAY THAT IN RESPONSE

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TO THE CHINESE REQUEST, HE MADE A PROPOSAL FOR A DEVIATION

FROM THE ORIGINAL CORN CONTRACT, WHICH THEY SAID THEY WOULD STUDY AND REPLY TO BY TELEX.

3. ANTONIUS SAID THESE DISCUSSIONS RELATE TO THE ALMOST TWO MILLION TONS OF US CORN WHICH REMAIN TO BE DELIVERED UNDER A CONTRACT WITH DREYFUS SIGNED WITH THE CHINESE IN OCTOBER FOR 2.4 MILLION TONS. IN ADDITION, HE SAID, DREYFUS STILL HAS SEVERAL HUNDRED THOUSAND TONS OF US WHEAT TO DELIVER IN THE FIRST PART OF THIS YEAR AND HAS A CONTRACT FOR 0.9-1.0 MILLION TONS OF WHEAT FROM THE NEW CROP WITH DELIVERIES TO BEGIN AFTER JULY AND TO CONTINUE INTO 1975.

4. ANTONIUS SAID THE PROBLEM OF WHEAT SMUT (PEKING 1179) STILL EXISTS. DREYFUS IS SHIPPING THE CHINESE ONLY SPRING WHEAT OUT OF THE WEST COAST AND WINTER WHEAT OUT OF THE GULF, BUT THE CHINESE ARE STILL FINDING EVIDENCE OF WHEAT SMUT. ANTONIUS SAID THAT THE HEAD OF WESTERN WHEAT ASSOCIATES IN THE UNITED STATES HAS BEEN MAKING A SERIOUS EFFORT TO GET INVITED TO CHINA IN ORDER TO DISCUSS THE WHEAT SMUT PROBLEM.

5. ANTONIUS' VISIT WAS AT THE REQUEST OF THE TEXTILES CORPORATION WITH WHICH, HE SAID, HE DISCUSSED "MINOR" PROBLEMS RELATING TO CONTRACTS FOR SALES OF COTTON. THESE INCLUDE BACKLOGS IN SHIPMENTS AND SOME DIFFERENCES OVER CONTRACT TERMS. HE DID NOT SAY WHETHER HE HAD MADE A NEW COTTON SALE. (NOTE: WINSTON HANDWERKER OF COOK INDUSTRIES INC. OF FRESNO, CALIFORNIA, WAS HERE IN JANUARY TO DISCUSS COTTON SALES WITH THE TEXTILES CORPORATION. HE CALLED AT USLO, BUT ALSO DID NOT GIVE US A REPORT ON THE RESULT OF HIS NEGOTIATIONS.)
JENKINS

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